

Forty third

ANNUAL REPORT

1963



ROYALITE OIL COMPANY, LIMITED



ROYALITE OIL COMPANY, LIMITED

1963 ANNUAL REPORT

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The Annual Meeting of Shareholders

The Annual General Meeting of the Shareholders will be held at the Head Office of the Company at 11:00 a.m. on Monday, April 27, 1964.

ROYALITE BUILDING • CALGARY, ALBERTA



HIGHLIGHTS OF THE YEAR

FINANCIAL

	1963	1962
Operating revenue	\$39,979,481	\$40,407,108
Net earnings	2,653,467	2,688,954
Working capital	7,499,979	7,181,541
Property, plant and equipment (net)	31,683,464	30,651,255
Earnings retained and employed in the business	12,692,838	10,254,691

OPERATING

	1963	1962
Crude oil — Company net (bbls.)	1,637,726	1,626,992
Natural gasoline (bbls.)	472,763	460,621
Propane (gals.)	6,455,796	6,367,855
Natural gas sales (Mcf.)	20,643,014	21,594,939
Refinery throughput (bbls.)	4,238,165	4,133,880
Sales of gasoline, heating oil and diesel fuels (gals.)	104,455,992	98,938,916
Number of marketing outlets	741	723

FORTY-THIRD ANNUAL REPORT

TO THE SHAREHOLDERS

Net earnings of \$2,653,467 in 1963 were comparable with earnings of \$2,688,954 in the previous year.

During the year, the Company was more active in development and exploration with an increase in production income and exploration costs. Retail sales through Royalite service stations were higher than in the previous year, but lower prices combined with a full year's effect of higher crude oil costs resulted in a reduction of refining and marketing earnings.

Construction and development expenditures amounted to \$3,611,096 compared with \$3,770,206 in 1962. Long-term debt was reduced by \$1,469,423 to \$17,636,098. Working capital increased by \$318,438 to \$7,499,979. Retained earnings in the business totalled \$12,692,838 compared with \$10,254,691 at the end of the previous year.

EXPLORATION AND DEVELOPMENT

During 1963, the Company participated in the drilling of 45 wells, including twenty drilled by others under farmout agreements. Ten were completed as oil wells, twelve as gas producing wells, two as gas injection wells, one a water disposal well, thirteen were abandoned and seven were drilling at the end of the year. Three of these have since been completed as oil wells and three as gas wells.

Seven of the oil wells are located in the Snipe Lake field of Northern Alberta, one in Southern Alberta and the other five in Southeast Saskatchewan. Thirteen gas wells, including nine in unitized fields, were drilled in Alberta and two were drilled in Louisiana, U.S.A.

The Company increased its holdings in the Edson Mississippian gas field area by the acquisition of a 35.18% interest in a 9,600-acre Crown drilling reservation. Company net acreage in this area now amounts to 11,524 net acres. The prospects are encouraging for the sale of gas from this area within the next two years.

A 25% interest in Crown drilling reservation lands comprising 11,040 acres in the Pembina River area, 25 miles southeast of the Edson development, was acquired during the year; a Mississippian test well was subsequently drilled and abandoned. Further development of the acreage is contemplated for 1964.

In Saskatchewan, the Company participated in two Mississippian oil discoveries. In the Queensdale area, the Company has a 50% interest in the discovery and two development wells and has completed one well on a wholly-owned lease. The Company holds a 16⅓% interest in the discovery in the Northgate area.

Proven acreage at the end of the year amounted to 49,444 acres. Unproven holdings at year end were 257,069 acres.

PRODUCTION

Net crude oil and condensate production amounted to 1,637,726 barrels compared with 1,626,992 barrels during 1962.

Production from the Steelman and East Carnduff unitized fields in Southeast Saskatchewan in which the Company holds interests responded favorably to secondary recovery operations started at the end of 1962.

During the year, Royalite was appointed operator of the North Alameda Unit in Southeast Saskatchewan.

In December, the Company acquired an additional 6.3% interest in 16 wells in the central part of the Redwater field in Alberta.

Net gas production was 13,444,840 Mcf compared with 14,514,682 Mcf in 1962. Production from the Turner Valley and Gordondale fields was lower. Gas sales, including gas purchased from others, totalled 20,643,014 Mcf.

Company plants in Turner Valley recovered 472,763 barrels of absorption gasoline compared with 460,621 barrels in the previous year and 6,455,796 gallons of propane, slightly higher than last year. Sulphur recovery, including the Company's share of production from plants in unitized fields, amounted to 13,280 long tons compared with 10,057 long tons in 1962.

A new steam plant was constructed and placed in operation at the Company's gas processing plant in Turner Valley.

Including unitized fields, the Company was operating 332 oil wells and 85 gas wells at the year end and, in addition, owned interests in 541 oil wells and 179 gas wells operated by others. Net interest owned by the Company was equivalent to 155 oil wells and 82 gas wells.

SUPPLY AND TRANSPORTATION

The Company handled 11,099,412 barrels of crude oil, condensate and absorption gasoline during the year. Refineries used 4,238,165 barrels; the balance was sold to others.

In 1963, a total of 9,356,250 barrels of crude oil and absorption gasoline were handled by the Company's pipeline systems compared with 7,553,127 barrels in

the previous year. All crude oil purchased for the Kamloops refinery was delivered through Company pipeline facilities completed late in 1962.

REFINING DEPARTMENT

Crude runs to refineries in 1963 increased to 4,238,165 barrels compared with the previous high of 4,133,880 barrels in 1962. To process these raw materials, the refineries averaged 337 operating days for a combined average throughput of 12,576 barrels per stream day.

Construction of processing equipment completed late in 1962 enabled the Kamloops refinery to use British Columbia crude oil exclusively. Modifications made during the year have increased the capacity of the catalytic cracking unit to 2,100 barrels per stream day. Light product storage capacity and product loading facilities were also expanded.

New facilities installed at the Saskatoon refinery included semi-automatic tetraethyl lead blending equipment, improved product loading equipment and expanded capacity of plant utilities. Improvements have increased operating efficiency at both refineries.

MARKETING

Gasoline, heating oil and diesel fuel sales through Royalite outlets increased by 7%. Sales of refined products to all customers totalled 129,300,000 gallons.

Concerted efforts towards increased sales of merchandise through Royalite outlets are gaining momentum and continued emphasis in this direction is opening the way to increase profits for the dealer and the Company.

In April, the Company commenced a weekly half-hour television and radio program with customer participation. Prizes may be won by studio and air partners qualifying with proof of either cash or credit card purchases. Results have been encouraging. Further

improvement in the quality of service to the motoring public was obtained by expanding the dealer training program with special emphasis on mechanical services.

At the year end, a total of 741 retail and bulk outlets were marketing Royalite products.

OUTLOOK

The Western Canadian oil and natural gas industry experienced favorable growth in 1963. Continued expansion is expected in 1964.

Average daily production of crude oil and natural gas liquids reached 780,000 barrels in 1963, a 6.1% increase over the average of 735,000 barrels per day produced in 1962. Sales of natural gas averaged 2,300,000 Mcf per day compared with 2,115,000 Mcf per day.

Production of crude oil and natural gas liquids will continue to grow under the National Oil Policy. Demand is expected to average 850,000 barrels per day in 1964. Natural gas sales are expected to average 2.5 billion cubic feet per day. Over 40% of this amount will be exported to the United States.

Company production of crude oil will be maintained. Some increase of allowables and development in the Snipe Lake field and in Southeast Saskatchewan will offset lower production in declining fields. Natural gas production will decrease until sales commence from the Edson gas field.

Some improvement in refined product prices can be expected as annual increases in demand gradually bring surplus refinery and service station capacities into use. Until this balance is attained, price erosion is likely to continue.

The Alberta Oil and Gas Conservation Board has recommended conditional approval of an application

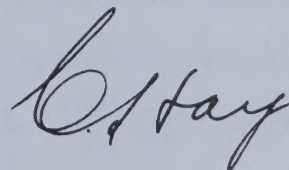
for the recovery of 45,000 barrels per calendar day of synthetic crude oil from the Athabasca bituminous sands. Approval of the project for the recovery of 100,000 barrels per day, in which Royalite owns a 10% interest and one other application has been deferred due to the impact such production might have on the production of conventional crude oil. The Board recommended that preferential consideration be given to these applications if a rehearing is requested prior to December 31, 1968.

Forecasts of supply and demand for Western Canadian crude indicate that supplemental supply from a source such as the bituminous sands will be required by the mid-1970's. Consequently research is being continued on a reduced scale.

The British American Oil Company Limited has increased its ownership of the Company to 96% pursuant to an offer made on August 26, 1963, to purchase the balance of the outstanding common shares.

It is particularly appropriate to recognize the continued service of experienced and loyal employees who have contributed through the years to the growth of the Company. Thirty-nine employees have been working with the Company for more than 30 years and one employee has more than 40 years of service. To these and all the staff, the Directors express their appreciation and thanks for the capable and efficient manner in which they have discharged their duties throughout the year.

Submitted on behalf of the Board,



President



SOURCE AND USE OF FUNDS

FUNDS RECEIVED :

	1963	1962
Net earnings	\$ 2,653,467	\$ 2,688,954
Add charges to expense not representing a cash outlay		
Provision for depletion, amortization and depreciation	2,495,306	2,359,338
Funds provided from operations	5,148,773	5,048,292
Sale of fixed assets	173,852	104,588
Net reduction of long term receivables and sundry receipts	522,477	(119,401)
Proceeds from sale of capital stock	—	299,812
	<u>5,845,102</u>	<u>5,333,291</u>

FUNDS USED :

Additions to property, plant and equipment	3,611,096	3,770,206
Repayment of long term debt	1,633,625	1,672,483
Paid under production assignments	66,623	578,843
Dividends on preferred shares	215,320	215,320
	<u>5,526,664</u>	<u>6,236,852</u>

INCREASE (DECREASE) IN WORKING CAPITAL	318,438	(903,561)
Working capital at beginning of year	<u>7,181,541</u>	<u>8,085,102</u>
WORKING CAPITAL AT END OF YEAR	<u>\$ 7,499,979</u>	<u>\$ 7,181,541</u>

STATEMENT OF CONSOLIDATED INCOME AND RETAINED EARNINGS

FOR THE YEAR ENDED DECEMBER 31, 1963 (with comparative amounts for 1962)

EARNINGS

REVENUES

	1963	1962
Gross sales and other operating revenues	\$39,979,481	\$40,407,108
Less — Gasoline and fuel taxes collected	6,111,453	5,789,364
Net sales and other operating revenues	33,868,028	34,617,744
Dividends, interest and other sundry income	323,314	275,221
	<u>34,191,342</u>	<u>34,892,965</u>

DEDUCTIONS

Purchased crude oil, petroleum products, etc., including freight	13,012,032	14,501,436
Operating, selling and administrative expenses	12,738,125	12,121,301
Taxes on income (Note 1)	305,000	291,000
Other taxes	2,030,359	1,907,045
Depreciation, depletion and amortization	2,495,306	2,359,338
Interest on long term debt	955,006	1,021,707
Income applicable to minority interests in subsidiaries consolidated	2,047	2,184
	<u>31,537,875</u>	<u>32,204,011</u>
EARNINGS FOR THE YEAR	<u>\$ 2,653,467</u>	<u>\$ 2,688,954</u>

RETAINED EARNINGS

	1963	1962
Balance beginning of year	\$10,254,691	\$ 7,781,057
Earnings for the year	2,653,467	2,688,954
	<u>12,908,158</u>	<u>10,470,011</u>
Dividends	215,320	215,320
Balance end of year (Note 2)	<u>\$12,692,838</u>	<u>\$10,254,691</u>



CONSOLIDATED BALANCE SHEET

(with comparative figures for 1961)

ASSETS

CURRENT :

	1963	1962
Cash	\$ 169,673	\$ 309,112
Government of Canada bonds, at cost (Market value \$1,448,580)	1,449,645	1,593,375
Other marketable securities, at cost (Market value \$1,441,083)	1,452,128	693,927
Accounts receivable	5,787,782	5,798,938
Due from The British American Oil Company Limited	985,671	889,638
Inventories, at the lower of cost or market —		
Crude oil	989,135	900,033
Products	2,870,511	2,391,865
Materials and supplies	507,671	554,335
Total current assets	14,212,216	13,131,223

INVESTMENTS AND LONG TERM RECEIVABLES :

Investment in other companies, at cost	364,241	375,709
Deposits, sundry investments and long term receivables	613,020	775,584
	977,261	1,151,293

PROPERTY, PLANT AND EQUIPMENT : (Note 3)

Assets, at cost	71,154,460	68,034,734
Less — Accumulated depreciation, depletion and amortization	39,470,996	37,383,479
	31,683,464	30,651,255
Less — Balance of development costs financed by production assignments	82,741	149,364
	31,600,723	30,501,891

PREPAID AND DEFERRED CHARGES :

Prepaid expenses	264,832	510,496
Unamortized expense on long term debt	98,469	106,853
	363,301	617,349

NET EXCESS OF COST OVER VALUES ASSIGNED TO NET TANGIBLE ASSETS

at acquisition of subsidiaries, less accumulated amortization	2,081,216	2,100,542
	\$49,234,717	\$47,502,298

LIABILITIES

CURRENT :

	1963	1962
Bank loans (secured)	\$ 165,500	\$ 60,000
Accounts payable and accrued	3,895,331	3,398,941
Dividend payable	53,830	53,830
Interest accrued on long term debt	93,915	107,379
Income and other taxes	872,772	693,825
Long term debt due within one year	1,630,889	1,635,707
Total current liabilities	6,712,237	5,949,682

LONG TERM DEBT (Note 4)	17,636,098	19,105,521
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MINORITY SHAREHOLDERS' INTEREST IN A SUBSIDIARY	16,679	15,539
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SHAREHOLDERS' EQUITY :

Capital stock —		
Preferred shares of a par value of \$25 each —		
Authorized — 400,000 shares		
Outstanding — 164,053 shares of 200,000 issued as		
5¼ % Cumulative Redeemable Preferred Shares, First Series	4,101,325	4,101,325
Common shares of no par value —		
Authorized — 4,000,000 shares		
Issued — 3,000,342 shares	8,075,540	8,075,540
	12,176,865	12,176,865
Earnings retained and employed in the business, per accompanying statement	12,692,838	10,254,691
	24,869,703	22,431,556

SIGNED ON BEHALF OF THE BOARD:

B. Hay Director
J. L. Macaulay Director

\$49,234,717 \$47,502,298



NOTES TO FINANCIAL STATEMENTS

1. INCOME TAX :

For income tax purposes the companies claim the maximum capital cost allowances permitted under the regulations rather than depreciation charged in the accounts. Capital cost allowances in 1963 exceeded depreciation charged in the accounts resulting in a reduction of income taxes of \$497,000. The cost of producing wells and of leases, reservations and permits acquired after April 10, 1962, which are capitalized in the accounts and charged against earnings on a unit of production or other amortization basis, are claimed in the year of expenditure or as soon thereafter as possible.

2. RESTRICTION ON DIVIDENDS :

Under the terms of the Company's Trust Indenture, the amount of retained earnings available for the payment of dividends on common shares is restricted to consolidated net earnings since August 31, 1955 plus \$800,000 after deducting dividends declared on preferred shares.

3. PROPERTY, PLANT AND EQUIPMENT :

	COST	ACCUMULATED DEPRECIATION, DEPLETION AND AMORTIZATION	NET 1963	NET 1962
Production	\$39,998,447	\$23,568,140	\$16,430,307	\$15,602,498
Bituminous sands project	2,340,378	—	2,340,378	1,962,757
Pipelines	5,306,130	3,692,707	1,613,423	1,749,455
Manufacturing	15,624,434	9,026,635	6,597,799	7,057,483
Marketing	6,979,260	2,803,527	4,175,733	3,706,488
Other	905,811	379,987	525,824	572,574
	<u>\$71,154,460</u>	<u>\$39,470,996</u>	<u>\$31,683,464</u>	<u>\$30,651,255</u>

4. LONG TERM DEBT :

	DECEMBER 31	
	1963	1962
Royalite Oil Company, Limited —		
4 $\frac{3}{8}$ % Serial Debentures, Series A, \$550,000 maturing annually to December 1, 1965	\$ 1,100,000	\$ 1,650,000
4 $\frac{3}{4}$ % Sinking Fund Debentures, Series B, due December 1, 1975	14,122,000	14,372,000
5 % Sinking Fund Debentures, Series C, due December 1, 1972	1,778,000	1,978,000
Total debentures — \$1,000,000 to be redeemed December 1 each year	17,000,000	18,000,000
4 $\frac{1}{2}$ % First Mortgage Serial Bonds, Series A	—	50,000
4 $\frac{1}{4}$ % First Mortgage Serial Bonds, Series A, maturing in amounts of \$560,000 on January 15, 1964 and \$610,000 on January 15, 1965	1,170,000	1,690,000
	<u>18,170,000</u>	<u>19,740,000</u>
Saskatoon Pipe Line Company Limited —		
5 % First Mortgage Sinking Fund Bonds due June 1, 1972 —		
\$50,000 to be redeemed December 1, each year	700,000	750,000
Other long term obligations	396,987	251,228
	<u>19,266,987</u>	<u>20,741,228</u>
Less — Payments due within one year shown as current liabilities	1,630,889	1,635,707
	<u>\$17,636,098</u>	<u>\$19,105,521</u>

5. LONG TERM LEASES :

Rental obligations of the consolidated companies at December 31, 1963 for buildings and service stations under long term leases amount to \$1,185,000 per annum. The rental revenue expected to be derived from the leasing of such premises approximates \$550,000 per annum.

6. STATUTORY INFORMATION :

Administrative expenses include legal fees, directors' fees and salaries of directors and executive officers amounting to \$140,540 in 1963.

AUDITORS' REPORT

PRICE WATERHOUSE & Co.

Calgary, Alberta
January 30, 1964

To the Shareholders of
ROYALITE OIL COMPANY, LIMITED:

We have examined the consolidated balance sheet of Royalite Oil Company, Limited and subsidiary companies as at December 31, 1963 and the statement of consolidated income and retained earnings for the year ended on that date and have obtained all the information and explanations we have required. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, and according to the best of our information and the explanations given to us and as shown by the books of the companies, the accompanying consolidated balance sheet and statement of consolidated income and retained earnings are properly drawn up so as to exhibit a true and correct view of the state of the affairs of the combined companies as at December 31, 1963 and the results of their operations for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Price Waterhouse & Co.

Chartered Accountants



COMPARATIVE STA

	1963	1962	1961
Operating revenue	\$39,979,481	\$40,407,108	\$38,626,934
Net operating income	3,666,756	3,773,335	3,136,271
Net earnings (loss)	2,653,467	2,688,954	2,143,777
Per common share (after preferred stock dividends)	81.3¢	82.4¢	65.2¢
Dividends paid:			
Preferred stock	215,320	215,320	215,320
Per share	\$1.3125	\$1.3125	\$1.3125
Common stock	—	—	—
Per share	—	—	—
Working capital	7,499,979	7,181,541	8,085,102
Capital expenditure	3,391,732	3,561,515	2,717,039
* Exploration			
Capital expenditure	219,364	208,691	101,770
Expense	559,847	398,744	566,006
Property, plant and equipment (net)	31,683,464	30,651,255	29,259,553
Average number of employees	657	597	630
Net acreage held:			
Proven	49,444	36,176	35,540
Unproven	257,069	302,772	367,247
Production:			
Crude Oil — Company net (bbls.)	1,637,726	1,626,992	1,478,281
Per day	4,487	4,458	4,050
Natural gasoline (bbls.)	472,763	460,621	458,555
Propane (gals.)	6,455,796	6,367,855	5,771,004
Sulphur (tons)	13,280	10,057	8,487
Natural gas sales (Mcf.)	20,643,014	21,594,939	21,587,143
† Refinery throughput (bbls.)	4,238,165	4,133,880	3,759,826
Per day	11,611	11,326	10,301
Sales of refined products (gals.)	129,300,000	124,653,000	127,430,000
Number of marketing outlets	741	723	738

* Work performed by others for Royalite account is excluded

† Includes crude oil processed for others

STATICAL SUMMARY

1960	1959	1958	1957	1956	1955	1954
\$30,532,790	\$29,513,898	\$29,233,523	\$30,516,001	\$25,794,560	\$23,537,419	\$14,754,657
2,350,197	2,526,756	278,224	2,454,830	2,102,084	1,136,981	1,665,344
1,041,621	637,681	(1,635,285)	577,964	435,560	(151,922)	608,278
28.0¢	14.3¢	(62.7)¢	12.2¢	6.1¢	(14.4)¢	19.6¢
215,320	215,320	215,320	217,346	256,616	262,500	43,750
\$1.3125	\$1.3125	\$1.3125	\$1.3125	\$1.3125	\$1.3125	21.9¢
—	—	191,902	766,805	750,544	748,494	747,811
—	—	6.5¢	26.0¢	26.0¢	26.0¢	26.0¢
7,216,293	7,147,849	2,263,572	2,677,920	5,670,478	9,057,623	3,375,933
1,584,352	770,134	1,735,283	5,111,964	5,761,334	4,440,236	6,512,657
41,676	1,274	164,993	501,588	191,536	416,554	1,328,982
642,884	817,415	1,666,283	1,451,701	1,799,060	2,714,392	1,853,139
29,461,868	30,732,422	34,982,950	37,884,364	36,148,386	34,029,868	33,220,509
668	730	854	967	870	753	697
34,558	30,731	40,029	39,402	32,413	24,792	24,752
550,187	683,523	1,071,139	1,396,992	1,736,747	2,011,010	1,945,250
1,213,710	1,618,432	1,792,494	2,310,514	2,322,940	2,183,216	1,845,256
3,325	4,434	4,910	6,330	6,364	5,981	5,055
416,936	426,812	363,946	390,628	417,077	419,947	392,952
5,753,876	4,345,483	5,626,281	5,269,950	5,725,811	5,345,590	5,612,483
8,158	9,284	9,236	11,050	11,640	11,251	10,334
20,925,552	24,142,406	22,414,795	20,998,251	22,239,270	22,965,017	21,148,075
3,766,259	3,440,262	3,250,735	3,968,218	4,187,300	3,765,432	3,387,911
10,319	9,425	8,906	10,872	11,472	10,316	9,282
119,456,000	115,936,000	121,476,000	144,662,000	155,000,000	138,000,000	110,388,000
723	642	596	549	457	364	233



ROYALITE OIL COMPANY, LIMITED

DIRECTORS

D. L. CAMPBELL	GEORGE E. EDWORTHY
GORDON B. GRANT	CHARLES HAY
J. HOWARD KELLY, Q.C.	E. D. LOUGHNEY
W. C. MAINWARING, O.B.E.	H. T. O'NEILL
C. D. SHEPARD, Q.C.	C. A. STOLLERY
R. L. THOMPSON	

OFFICERS

CHARLES HAY, President
R. L. THOMPSON, Vice-President
J. A. SCOBIE, Vice-President
D. J. MORRISON, F.C.A., Secretary and Treasurer
R. C. CONDON, Assistant Secretary

ADMINISTRATION

G. A. CONNELL, Manager, Engineering and Economics Department
J. A. HARVIE, Manager, Exploration and Production Division
J. A. SCOBIE, Manager (<i>ad interim</i>), Refining and Marketing Division
D. S. ROBERTSON, Controller
R. C. SMITH, Manager, Legal Department

LEGAL COUNSEL

E. J. CHAMBERS, Q.C., Calgary, Alberta
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AUDITORS

PRICE WATERHOUSE & CO.

CORPORATE INFORMATION

REGISTRARS

THE ROYAL TRUST COMPANY,
Calgary, Alberta; Vancouver, British Columbia; Winnipeg, Manitoba;
Toronto, Ontario; Montreal, Quebec; Halifax, Nova Scotia.

EMPIRE TRUST COMPANY,
New York City, New York, U.S.A.

TRANSFER AGENTS

THE CANADA TRUST COMPANY,
Vancouver, British Columbia; Winnipeg, Manitoba; Toronto, Ontario.

MONTREAL TRUST COMPANY,
Calgary, Alberta; Montreal, Quebec; Halifax, Nova Scotia.

THE BANK OF NEW YORK,
New York City, New York, U.S.A.

DIVIDEND DISBURSING AGENT

THE CANADA TRUST COMPANY,
Toronto, Ontario.

STOCK EXCHANGE LISTINGS

CALGARY STOCK EXCHANGE, VANCOUVER STOCK EXCHANGE,
TORONTO STOCK EXCHANGE, MONTREAL STOCK EXCHANGE,
AMERICAN STOCK EXCHANGE, New York, U.S.A.
(unlisted trading privileges)



OPERATING SUBSIDIARIES

MADISON NATURAL GAS COMPANY LIMITED

owns and operates a gas gathering system and plant for the purification of natural gas in the Turner Valley field of Alberta.

ROYALITE OIL COMPANY INC.

a Corporation of the State of Delaware, operates Royalite's interests in the United States.

SASKATOON PIPE LINE COMPANY LIMITED

owns and operates a 56-mile pipeline from Interprovincial Pipe Line to the Company refinery at Saskatoon, Saskatchewan. (97% ownership)

